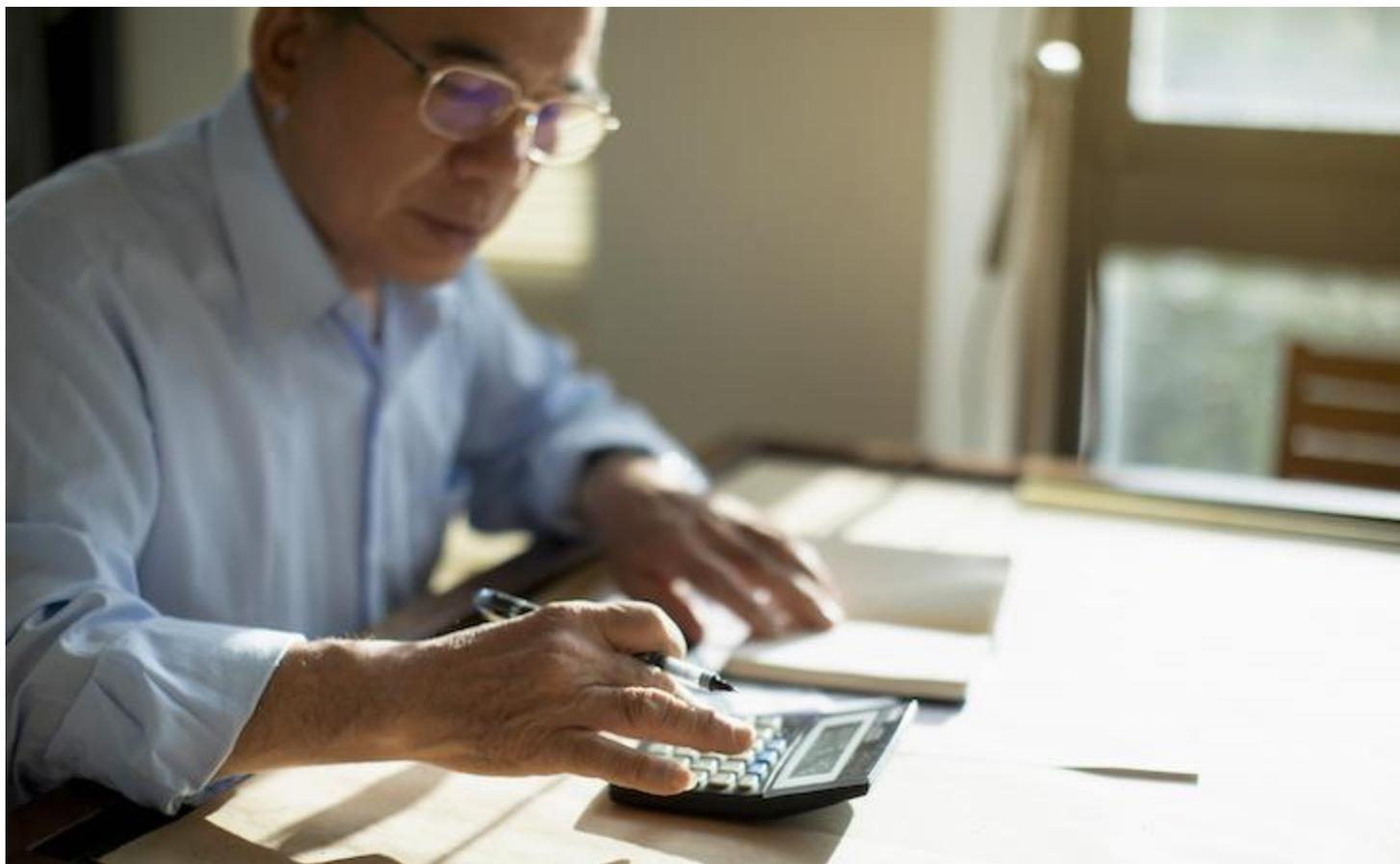


11 Important IRS Inflation Adjustments & Tax Rates for 2022



In November 2021, the Internal Revenue Service (IRS) announced new tax rate schedules, annual inflation adjustments for more than 60 tax provisions, and other key tax changes. The update to the Internal Revenue Code, 26 CFR 601.602: Tax Forms and instructions, includes all detailed changes in [Revenue Procedure 2021-45](#).

These tax code changes are effective for tax year 2022, so taxpayers will see them reflected when they file starting in 2023.

Here's a brief summary of the tax changes that will likely have an impact on many U.S. taxpayers.

Key Takeaways From Revenue Procedure 2021-45

1. Personal Exemption

The personal exemption for tax year 2022 remains at zero.¹

2. Marginal Tax Rates

The following table includes marginal rates for individual single taxpayers and married couples filing jointly:¹

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Tax Rate	Individual Single Taxpayers – Income is greater than:	Married Filing Jointly – Income is greater than:
37%	\$539,900	\$647,850
35%	\$215,950	\$431,900
32%	\$170,050	\$340,100
24%	\$89,075	\$178,150
22%	\$41,775	\$83,550
12%	\$10,275	\$20,550
10%	\$10,275	\$20,550

3. Increased Standard Deductions

Standard deductions have been adjusted for inflation, resulting in the following increases:¹

Taxpayers filing as...	Will see their deduction increase by...	For a 2022 standard deduction of...
Married couples filing jointly	\$800	\$25,900

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Single/married filing separately	\$400	\$12,950
Head of household	\$600	\$19,400

4. Unlimited Itemized Deductions

As the Tax Cuts and Jobs Act of 2017 eliminated the limit on itemized deductions, there is still no limit on itemized deductions for tax year 2022.¹

5. Earned Income Tax Credit

For qualifying taxpayers who have three or more qualifying children, the maximum Earned Income Tax Credit for tax year 2022 is \$6,935, up from \$6,728 for tax year 2021.¹

6. Alternative Minimum Tax (AMT) Exemption

The AMT exemption amount for individual taxpayers is \$75,900 for tax year 2022, and begins phasing out at \$539,900. For married couples filing jointly the AMT exemption amount is \$118,100, and it begins phasing out at \$1,079,800.¹

7. Child Tax Credit

Beginning with tax year 2022, the dollar amount that may be refundable is \$1,500.²

8. Capital Gains Rates

The two following tables include Maximum Zero Rate Amounts and Maximum 15% Rate Amounts for U.S. taxpayers:

Maximum Zero Rate Amounts²	
Joint return or surviving spouse	\$83,350
Married individual filing separately	\$41,675
Individual head of household	\$55,800

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Individual (other than estate or trust)	\$41,675
Estate or trust	\$2,800

Maximum 15% Rate Amounts²

Joint return or surviving spouse	\$517,200
Married individual filing separately	\$258,600
Individual head of household	\$488,500
Individual (other than estate or trust)	\$459,750
Estate or trust	\$13,700

9. Annual Gift Exclusion

For tax year 2022, the annual exclusion for gifts rises from \$15,000 to \$16,000.¹

10. Estate Tax Exclusion

The basic exclusion for estates of decedents who die during 2022 is \$12,060,000. That's up from \$11,700,000 in 2021.¹

11. Health FSA Salary Reductions

For taxable years starting in 2022, the limit for employee salary reductions for contributions to health flexible spending arrangements increases to \$2,850.¹

The maximum carryover amount for cafeteria plans that permit the carryover of unused funds is \$570, an increase of \$20 over 2021.¹

Inflation Increases Cost of Living

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The adjustments to tax brackets, deductions, exemptions and exclusions are intended to account for rising inflation, which reached 6.2% in October 2021.³

The Social Security Administration also announced a substantial Cost-of-Living Adjustment (COLA), which will increase Social Security and Supplemental Security Income (SSI) benefits by 5.9% in 2022.⁴ Get the details you need when you download our Retirement and Financial Tax Summary 2022.

SOURCES

¹Internal Revenue Service, [IRS provides tax inflation adjustments for tax year 2022](#), November 10, 2021.

²Internal Revenue Service, [Revenue Procedure 2021-45](#), no date.

³Pew Research, [Inflation has risen around the world, but the U.S. has seen one of the biggest increases](#), November 24, 2021.

⁴Social Security Administration, [Cost-of-Living Adjustment \(COLA\) Information for 2022](#), no date.

CMGA-3935846.1-1121-1223